

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 8092

BILL NUMBER: SB 465

DATE PREPARED: Jan 28, 2001

BILL AMENDED:

SUBJECT: Medicaid Reimbursement Rates.

FISCAL ANALYST: Alan Gossard

PHONE NUMBER: 233-3546

FUNDS AFFECTED: X

GENERAL
DEDICATED
X **FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires the Office of Medicaid Policy and Planning (OMPP) to base the rate of reimbursement to providers in Medicaid managed care programs, fee-for-service programs, and demonstration projects on Medicare rates. The bill provides guidelines for calculating reimbursement to providers of anesthesia services. The bill also requires OMPP to update reimbursement rates at least once every two years.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill requires OMPP to rebase the Medicaid reimbursement system for physicians, mental health providers, chiropractors, optometrist, podiatrists, advanced practice nurses, and others to reflect current Medicare data (Medicaid "relative value units"). (The reimbursement rates currently being used are based on 1994 Medicare data.). This provision is estimated to increase the state share of expenditures under the Medicaid and Childrens' Health Insurance (CHIP) programs by about \$6.7 M (\$17.7 M in total additional expenditures; \$11.0 M in federal share).

Increased expenditures for FY 2003 are estimated to be \$7.0 M for the state. Total additional expenditures are estimated to be \$18.5 M with about \$11.5 M in federal reimbursement.

The expenditures in the regular Medicaid program are shared with the federal government at a rate of about 62% (state share of 38%). CHIP expenditures are shared at an enhanced rate of about 73% (state share of 27%).

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal reimbursement in the Medicaid and CHIP programs.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.